

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 7014**

**BILL NUMBER:** HB 1178

**DATE PREPARED:** Dec 28, 1998

**BILL AMENDED:**

**SUBJECT:** Affordable housing fund and transfer tax.

**FISCAL ANALYST:** Bob Sigalow

**PHONE NUMBER:** 232-9859

**FUNDS AFFECTED:**     **GENERAL**  
                              **X DEDICATED**  
                              **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill establishes the Indiana Affordable Housing Fund administered by the Indiana Housing Finance Authority for the purpose of providing grants and loans to eligible entities for programs that provide: (1) financial assistance to lower income families for the purchase or lease of housing; or (2) grants or loans for the acquisition, rehabilitation, construction, operation, or insurance of housing for lower income families.

The bill provides that the fund resources that are appropriated must be distributed for the state fiscal year as follows: (1) 25% of the fund resources for urban housing. (2) 25% of the fund resources for rural housing. (3) 25% of the fund for the city housing fund of a consolidated city. (4) 25% of the fund for the state Low Income Housing Trust Fund.

The bill also provides that any amounts remaining in the fund for rural housing at the end of the state fiscal year may be carried over to the next state fiscal year and distributed to eligible entities for urban housing. It requires the Indiana Housing Finance Authority to adopt rules and written policies and procedures concerning grant eligibility, the grant application process, loan interest rates, and the disbursement of money from the fund.

This bill establishes the real estate transfer tax on all transfers of a real property interest for valuable consideration. It specifies exemptions from the real estate transfer tax. The bill establishes the County Real Estate Transfer Tax Fund and requires the money collected from the real estate transfer tax to be deposited in the fund. This bill requires the county auditor to transfer monthly the money collected from the real estate transfer tax to the state treasurer for deposit in the Indiana Affordable Housing Trust Fund. It also allows the authority to transfer money from the Indiana Affordable Housing Fund to the housing funds of Bloomington and Fort Wayne to be used to provide affordable housing.

**Effective Date:** July 1, 1999.

**Explanation of State Expenditures:** This bill creates the Indiana Affordable Housing Fund. The fund would provide grants and loans to eligible entities that:

1. Provide financial assistance to lower income families to purchase affordable housing;
2. Provide rent and rent supplements to lower income families; and
3. Provide loans and grants to lower income families to acquire construct, rehabilitate, develop, operate, and insure affordable housing.

The available funds would be distributed as follows:

1. 25% to eligible entities for rural housing for lower income families;
2. 25% to eligible entities for urban housing for lower income families;
3. 25% to Indianapolis City Housing Fund; and
4. 25% to the state Low Income Housing Trust Fund.

Any unused amounts designated for rural housing would be carried forward to the following year and distributed to urban housing entities.

Revenue for the fund would come from:

1. Real estate transfer tax proceeds;
2. General Assembly appropriations;
3. Gifts and grants; and
4. Investment income.

The fund would be administered by the Indiana Housing Finance Authority. The bill requires the Authority to adopt rules including criteria for grant eligibility, development of an application process, procedures for loan and grant disbursement, and establishment of an interest rate. The Authority would incur additional costs for administration of the program.

**Explanation of State Revenues:** According to the bill, the seller of real property would be liable for the real estate transfer tax. The tax would equal \$0.20 for each \$500 or portion of \$500 of value. A real estate transaction form, including property and sale descriptions and total consideration, would have to be filed with the county recorder at the same time as the conveyance document is filed.

There were 195,514 sales disclosure forms filed in FY 1998. As an illustration, if none of the sales were exempted from the transfer tax and the average value of each property was \$50,000, the tax proceeds would have amounted to approximately \$3.9 million. This is only an illustration since the actual value of the sales is unknown.

The proceeds from this tax would be deposited into the county Real Estate Transfer Fund. The county auditor would transfer the amounts in the fund on a monthly basis to the State Treasurer for deposit in the Indiana Affordable Housing Fund.

Under the bill, a person who knowingly or intentionally falsifies the value of transferred property or omits or falsifies any information on a real estate transfer form commits a Class C misdemeanor. If additional court cases occur and fines are collected, revenue to both the Common School Fund and the state General Fund could increase. The maximum fine for a Class C misdemeanor is \$500. Criminal fines are deposited in the Common School Fund. If the case is filed in a circuit, superior, county or municipal court (courts of record), 70% of the \$120 court fee that is assessed and collected when a guilty verdict is entered would be deposited

in the state General Fund. If the case is filed in a city or town court, 55% of the fee would be deposited in the state General Fund.

**Explanation of Local Expenditures:** A Class C misdemeanor is punishable by up to 60 days in jail. The average daily cost to incarcerate a prisoner in a county jail is approximately \$44.

**Explanation of Local Revenues:** The bill specifies that the Indiana Housing Finance Authority may transfer money from the fund to the city Housing Funds in Bloomington and Ft. Wayne without the filing of grant applications by these cities.

If additional court actions occur as a result of the penalty provision of this bill and a guilty verdict is entered, local governments would receive revenue from the following sources: (1) The county General Fund would receive 27% of the \$120 court fee that is assessed in a court of record. Cities and towns maintaining a law enforcement agency that prosecutes at least 50% of its ordinance violations in a court of record may receive 3% of court fees. If the case is filed in a city or town court, 20% of the court fee would be deposited in the county General Fund and 25% would be deposited in the city or town General Fund. (2) A \$3 fee would be assessed, and if collected would be deposited into the county Law Enforcement Continuing Education Fund. (3) A \$2 jury fee is assessed, and if collected, would be deposited into the County User Fee Fund to supplement the compensation of jury members.

**State Agencies Affected:** Indiana Housing Finance Authority.

**Local Agencies Affected:** Indianapolis, Bloomington, and Ft. Wayne Housing Programs; Trial courts, Local law enforcement agencies.

**Information Sources:** State Tax Board.